



TOWNSHIP OF SODUS
Berrien County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Sodus	County Berrien
Audit Date March 31, 2005	Opinion Date May 25, 2005	Date Accountant Report Submitted to State: June 15, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

TOWNSHIP OF SODUS
Berrien County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 25, 2005

To the Township Board
Township of Sodus
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Sodus, Berrien County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sodus's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sodus, Berrien County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF SODUS
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Sodus covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$1,387,421.06 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$365,877.97 from governmental activities. Governmental activities had a \$9,095.05 increase in net assets.

Taxable value was \$48,454,551.00.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating. To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund, the Road Fund, the Library Fund and the Housing Improvement Fund.

TOWNSHIP OF SODUS
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: Some of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Road Fund, the Library Fund and the Housing Improvement Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are funding the Fire Department.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$21,282.97 in capital assets.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very uncertain and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Township Clerk at 269-461-6448 or Township Treasurer at 269-926-6343. The Township Hall is located at 4056 King Drive, Sodus, Michigan. Office hours are Monday, Wednesday and Friday from 9:00 a.m. to 1:00 p.m.

TOWNSHIP OF SODUS
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	
Taxes receivable	1 127 357 98
	<u>10 578 22</u>
Total Current Assets	<u>1 137 936 20</u>
NONCURRENT ASSETS:	
Capital Assets	841 118 74
Less: Accumulated Depreciation	<u>(588 448 52)</u>
Net Capital assets	<u>252 670 22</u>
TOTAL ASSETS	<u><u>1 390 606 42</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>3 185 36</u>
Total Current Liabilities	<u>3 185 36</u>
NONCURRENT LIABILITIES	<u>-</u>
Total Noncurrent Liabilities	<u>-</u>
Total Liabilities	<u>3 185 36</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	252 670 22
Reserved for library	114 086 65
Unrestricted	<u>1 020 664 19</u>
Total Net Assets	<u>1 387 421 06</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 390 606 42</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	4 944 00	-	(4 944 00)
General government	162 594 15	22 144 38	(140 449 77)
Public safety	121 890 41	11 164 80	(110 725 61)
Public works	15 520 14	-	(15 520 14)
Culture and recreation	43 415 58	21 398 72	(22 016 86)
Other	8 418 64	-	(8 418 64)
Total Governmental Activities	<u>356 782 92</u>	<u>54 707 90</u>	<u>(302 075 02)</u>
General Revenues:			
Property taxes			129 461 91
State revenue sharing			163 433 29
Interest			12 682 64
Miscellaneous			5 592 23
Total General Revenues			<u>311 170 07</u>
Change in net assets			9 095 05
Net assets, beginning of year			<u>1 378 326 01</u>
Net Assets, End of Year			<u>1 387 421 06</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

<u>Assets</u>	<u>General</u>	<u>Road</u>	<u>Library</u>	<u>Other Funds</u>
Cash in bank	442 437 41	535 825 04	148 331 79	-
Taxes receivable	8 961 54	-	1 616 68	-
Due from other funds	<u>763 74</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>452 162 69</u>	<u>535 825 04</u>	<u>149 948 47</u>	<u>-</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>3 185 36</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3 185 36</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Reserved for library capital improvements	-	-	99 170 73	-
Reserved for library memorials	-	-	14 915 92	-
Unreserved:				
Undesignated	<u>448 977 33</u>	<u>535 825 04</u>	<u>35 861 82</u>	<u>-</u>
Total fund equity	<u>448 977 33</u>	<u>535 825 04</u>	<u>149 948 47</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>452 162 69</u>	<u>535 825 04</u>	<u>149 948 47</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

Total

1 126 594 24

10 578 22

763 74

1 137 936 20

3 185 36

3 185 36

99 170 73

14 915 92

1 020 664 19

1 134 750 84

1 137 936 20

TOWNSHIP OF SODUS
Berrien County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS

1 134 750 84

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost
Accumulated depreciation

841 118 74
(588 448 52)

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES

1 387 421 06

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Road</u>	<u>Library</u>	<u>Other Funds</u>
Revenues:				
Property taxes	109 675 77	-	19 786 14	-
Licenses and permits	19 009 18	-	-	-
State revenue sharing	160 637 15	-	2 796 14	-
Charges for services	14 300 00	-	-	-
Penal fines	-	-	21 398 72	-
Interest	6 034 33	4 877 59	1 767 07	-
Miscellaneous	3 489 89	-	1 172 34	3 65
				<u>930 00</u>
Total revenues	<u>313 146 32</u>	<u>4 877 59</u>	<u>46 920 41</u>	<u>933 65</u>
Expenditures:				
Legislative:				
Township Board	4 944 00	-	-	-
General government:				
Supervisor	11 022 88	-	-	-
Elections	1 835 28	-	-	-
Assessor	23 030 78	-	-	-
Clerk	12 360 00	-	-	-
Board of Review	1 350 00	-	-	-
Treasurer	11 807 01	-	-	-
Building and grounds	2 652 91	-	-	-
Cemetery	26 770 85	-	-	-
Unallocated	70 033 83	-	-	-
Public safety:				
Police protection	27 173 78	-	-	-
Fire protection	33 633 47	-	-	-
Ambulance	12 299 00	-	-	-
Protective inspection	12 470 56	-	-	-
Planning Commission	6 357 00	-	-	-
Public works:				
Highways and streets	-	5 305 30	-	-
Street lights	4 914 84	-	-	-
Drains	2 519 67	-	-	-
Culture and recreation:				
Parks	3 150 28	-	-	-
Library	-	-	36 231 97	-
Other functions:				
Social security	8 418 64	-	-	-
Capital outlay	21 282 97	-	-	-
				<u>-</u>
Total expenditures	<u>298 027 75</u>	<u>5 305 30</u>	<u>36 231 97</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>15 118 57</u>	<u>(427 71)</u>	<u>10 688 44</u>	<u>933 65</u>

The accompanying notes are an integral part of these financial statements.

Total

129 461 91
19 009 18
163 433 29
14 300 00
21 398 72
12 682 64
5 592 23

365 877 97

4 944 00

11 022 88
1 835 28
23 030 78
12 360 00
1 350 00
11 807 01
2 652 91
26 770 85
70 033 83

27 173 78
33 633 47
12 299 00
12 470 56
6 357 00

5 305 30
4 914 84
2 519 67

3 150 28
36 231 97

8 418 64
21 282 97

339 565 02

26 312 95

TOWNSHIP OF SODUS
Berrien County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 26 312 95

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense
Capital Outlay

(38 500 87)
21 282 97

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

9 095 05

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sodus, Berrien County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Sodus. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection Fund and the Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 2.617 mills, and the taxable value was \$48,454,551.00.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$3,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	15-30 years
Equipment	5-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$252,670.22.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 127 357 98</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>944 284 13</u>
Total Deposits	<u><u>1 144 284 13</u></u>

The Township of Sodus did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	42 351 91	-	-	42 351 91
Buildings and improvements	378 654 30	5 188 00	-	383 842 30
Equipment	<u>398 829 56</u>	<u>16 094 97</u>	-	<u>414 924 53</u>
Total	819 835 77	21 282 97	-	841 118 74
Accumulated Depreciation	<u>(549 947 65)</u>	<u>(38 500 87)</u>	-	<u>(588 448 52)</u>
Net Capital Assets	<u><u>269 888 12</u></u>	<u><u>(17 217 90)</u></u>	<u><u>-</u></u>	<u><u>252 670 22</u></u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2005, the Township had building permit revenues of \$11,164.80 and building permit expenses of \$12,470.56.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	371 32	Agency	371 32
General	<u>392 42</u>	Current Tax Collection	<u>392 42</u>
Total	<u><u>763 74</u></u>	Total	<u><u>763 74</u></u>

Note 10 – Operating Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Library	3 500 00	General	3 500 00
General	<u>2 481 85</u>	Housing Improvement	<u>2 481 85</u>
Total	<u><u>5 981 85</u></u>	Total	<u><u>5 981 85</u></u>

TOWNSHIP OF SODUS
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	191 000 00	109 000 00	109 675 77	675 77
Licenses and permits	22 800 00	22 800 00	19 009 18	(3 790 82)
State revenue sharing	150 000 00	150 000 00	160 637 15	10 637 15
Charges for services	-	-	14 300 00	14 300 00
Interest	2 400 00	2 400 00	6 034 33	3 634 33
Miscellaneous	-	-	3 489 89	3 489 89
Total revenues	<u>366 200 00</u>	<u>284 200 00</u>	<u>313 146 32</u>	<u>28 946 32</u>
Expenditures:				
Legislative:				
Township Board	5 000 00	5 000 00	4 944 00	(56 00)
General government:				
Supervisor	12 600 00	12 600 00	11 022 88	(1 577 12)
Elections	2 000 00	2 000 00	1 835 28	(164 72)
Assessor	22 900 00	23 400 00	23 030 78	(369 22)
Clerk	13 000 00	13 000 00	12 360 00	(640 00)
Board of Review	1 000 00	1 500 00	1 350 00	(150 00)
Treasurer	12 000 00	12 000 00	11 807 01	(192 99)
Building and grounds	20 250 00	4 750 00	2 652 91	(2 097 09)
Cemetery	29 800 00	26 900 00	26 770 85	(129 15)
Unallocated	89 200 00	96 650 00	70 033 83	(26 616 17)
Public safety:				
Police protection	33 100 00	27 600 00	27 173 78	(426 22)
Fire protection	53 600 00	43 100 00	33 633 47	(9 466 53)
Ambulance	12 300 00	12 300 00	12 299 00	(1 00)
Protective inspection	8 300 00	14 500 00	12 470 56	(2 029 44)
Planning Commission	7 300 00	7 300 00	6 357 00	(943 00)
Public works:				
Street lights	5 500 00	5 500 00	4 914 84	(585 16)
Drains	7 500 00	3 000 00	2 519 67	(480 33)
Culture and recreation:				
Parks	3 700 00	3 700 00	3 150 28	(549 72)
Other functions:				
Social security	10 150 00	10 150 00	8 418 64	(1 731 36)
Contingency	280 000 00	222 250 00	-	(222 250 00)
Capital outlay	<u>22 000 00</u>	<u>22 000 00</u>	<u>21 282 97</u>	<u>(717 03)</u>
Total expenditures	<u>651 200 00</u>	<u>569 200 00</u>	<u>298 027 75</u>	<u>(271 172 25)</u>
Excess (deficiency) of revenues over expenditures	<u>(285 000 00)</u>	<u>(285 000 00)</u>	<u>15 118 57</u>	<u>300 118 57</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Other financing sources (uses):				
Operating transfers in	-	-	2 481 85	2 481 85
Operating transfers out	(20 000 00)	(20 000 00)	(3 500 00)	16 500 00
Total other financing sources (uses)	(20 000 00)	(20 000 00)	(1 018 15)	18 981 85
Excess (deficiency) of revenues and other sources over expenditures and other uses	(305 000 00)	(305 000 00)	14 100 42	319 100 42
Fund balance, April 1	305 000 00	305 000 00	434 876 91	129 876 91
Fund Balance, March 31	-	-	448 977 33	448 977 33

TOWNSHIP OF SODUS
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	<u>-</u>	<u>-</u>	<u>4 877 59</u>	<u>4 877 59</u>
Total revenues	<u>-</u>	<u>-</u>	<u>4 877 59</u>	<u>4 877 59</u>
Expenditures:				
Public works:				
Highways and streets	<u>505 000 00</u>	<u>505 000 00</u>	<u>5 305 30</u>	<u>(499 694 70)</u>
Total expenditures	<u>505 000 00</u>	<u>505 000 00</u>	<u>5 305 30</u>	<u>(499 694 70)</u>
Excess (deficiency) of revenues over expenditures	(505 000 00)	(505 000 00)	(427 71)	504 572 29
Fund balance, April 1	<u>505 000 00</u>	<u>505 000 00</u>	<u>536 252 75</u>	<u>31 252 75</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>535 825 04</u>	<u>535 825 04</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – LIBRARY FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	18 000 00	19 000 00	19 786 14	786 14
State revenue sharing	1 000 00	2 950 00	2 796 14	(153 86)
Penal fines	20 000 00	21 000 00	21 398 72	398 72
Interest	-	-	1 767 07	1 767 07
Miscellaneous	<u>500 00</u>	<u>300 00</u>	<u>1 172 34</u>	<u>872 34</u>
Total revenues	<u>39 500 00</u>	<u>43 250 00</u>	<u>46 920 41</u>	<u>3 670 41</u>
Expenditures:				
Culture and recreation:				
Library	<u>47 500 00</u>	<u>48 750 00</u>	<u>36 231 97</u>	<u>(12 518 03)</u>
Total expenditures	<u>47 500 00</u>	<u>48 750 00</u>	<u>36 231 97</u>	<u>(12 518 03)</u>
Excess (deficiency) of revenues over expenditures	<u>(8 000 00)</u>	<u>(5 500 00)</u>	<u>10 688 44</u>	<u>16 188 44</u>
Other financing sources (uses):				
Operating transfers in	<u>3 500 00</u>	<u>3 500 00</u>	<u>3 500 00</u>	<u>-</u>
Total other financing sources (uses)	<u>3 500 00</u>	<u>3 500 00</u>	<u>3 500 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(4 500 00)</u>	<u>(2 000 00)</u>	<u>14 188 44</u>	<u>16 188 44</u>
Fund balance, April 1	<u>26 000 00</u>	<u>27 000 00</u>	<u>135 760 03</u>	<u>108 760 03</u>
Fund Balance, March 31	<u>21 500 00</u>	<u>25 000 00</u>	<u>149 948 47</u>	<u>124 948 47</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Township Board:	
Fees and per diem	<u>4 944 00</u>
Supervisor:	
Salary	<u>11 022 88</u>
Elections	<u>1 835 28</u>
Assessor:	
Contracted services	21 219 36
Supplies	<u>1 811 42</u>
	<u>23 030 78</u>
Clerk:	
Salary	<u>12 360 00</u>
Board of Review:	
Wages	<u>1 350 00</u>
Treasurer:	
Salary	<u>11 807 01</u>
Building and grounds:	
Supplies	202 44
Repairs and maintenance	<u>2 450 47</u>
	<u>2 652 91</u>
Cemetery:	
Wages	16 409 10
Supplies	235 96
Opening and closing graves	5 600 00
Equipment maintenance and repairs	<u>4 525 79</u>
	<u>26 770 85</u>
Unallocated:	
Wages	5 053 50
Legal	8 297 52
Supplies	7 271 18
Printing and publishing	2 082 76
Dues and conferences	2 506 77
Contracted services	12 686 19
Audit and accounting	3 600 00
Insurance	27 413 00
Miscellaneous	722 91
Repairs and maintenance	<u>400 00</u>
	<u>70 033 83</u>
Police protection:	
Wages	21 335 25
Supplies	1 068 83
Repairs and maintenance	1 151 55
Miscellaneous	<u>3 618 15</u>
	<u>27 173 78</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Fire protection:	
Salaries and wages	16 189 00
Operating supplies	6 843 55
Maintenance and repairs	2 501 34
Telephone	306 75
Utilities	4 157 70
Insurance	1 513 38
Miscellaneous	2 121 75
	<u>33 633 47</u>
Ambulance	<u>12 299 00</u>
Protective inspection:	
Wages	5 601 75
Contracted services	5 925 05
Miscellaneous	943 76
	<u>12 470 56</u>
Planning Commission:	
Wages	3 975 00
Contracted services	2 000 00
Supplies	382 00
	<u>6 357 00</u>
Street lighting:	
Utilities	4 914 84
	<u>4 914 84</u>
Drains	<u>2 519 67</u>
Parks	<u>3 150 28</u>
Social security	<u>8 418 64</u>
Capital outlay	<u>21 282 97</u>
Total Expenditures	<u>298 027 75</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
March 31, 2005

<u>Assets</u>	<u>Road</u>	<u>Library</u>	<u>Housing Improvement</u>	<u>Total</u>
Cash in bank	535 825 04	148 331 79	-	684 156 83
Taxes receivable	-	1 616 68	-	1 616 68
Total Assets	<u>535 825 04</u>	<u>149 948 47</u>	<u>-</u>	<u>685 773 51</u>
<u>Liabilities and Fund Balances</u>				
Liabilities	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Reserved for library capital improvements	-	99 170 73	-	99 170 73
Reserved for library memorials	-	14 915 92	-	14 915 92
Unreserved:				
Undesignated	535 825 04	35 861 82	-	571 686 86
Total fund balances	<u>535 825 04</u>	<u>149 948 47</u>	<u>-</u>	<u>685 773 51</u>
Total Liabilities and Fund Balances	<u>535 825 04</u>	<u>149 948 47</u>	<u>-</u>	<u>685 773 51</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2005

	<u>Road</u>	<u>Library</u>	<u>Housing Improvement</u>	<u>Total</u>
Revenues:				
Property taxes	-	19 786 14	-	19 786 14
State revenue sharing	-	2 796 14	-	2 796 14
Penal fines	-	21 398 72	-	21 398 72
Interest	4 877 59	1 767 07	-	6 648 31
Miscellaneous	-	1 172 34	3 65	6 648 31
			930 00	2 102 34
Total revenues	<u>4 877 59</u>	<u>46 920 41</u>	<u>933 65</u>	<u>52 731 65</u>
Expenditures:				
Public works:				
Highways and streets	5 305 30	-	-	5 305 30
Recreation and culture - library:				
Salaries	-	13 697 83	-	13 697 83
Payroll taxes	-	1 047 90	-	1 047 90
Periodicals	-	1 480 55	-	1 480 55
Supplies	-	7 204 37	-	7 204 37
Dues	-	1 125 75	-	1 125 75
Telephone	-	1 293 17	-	1 293 17
Utilities	-	2 550 29	-	2 550 29
Repairs and maintenance	-	3 086 68	-	3 086 68
Books	-	3 765 27	-	3 765 27
Miscellaneous	-	980 16	-	980 16
Total expenditures	<u>5 305 30</u>	<u>36 231 97</u>	<u>-</u>	<u>41 537 27</u>
Excess (deficiency) of revenues over expenditures	<u>(427 71)</u>	<u>10 688 44</u>	<u>933 65</u>	<u>11 194 38</u>
Other financing sources (uses):				
Operating transfers in	-	3 500 00	-	3 500 00
Operating transfers out	-	-	(2 481 85)	(2 481 85)
Total other financing sources (uses)	<u>-</u>	<u>3 500 00</u>	<u>(2 481 85)</u>	<u>1 018 15</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(427 71)</u>	<u>14 188 44</u>	<u>(1 548 20)</u>	<u>12 212 53</u>
Fund balances, April 1	<u>536 252 75</u>	<u>135 760 03</u>	<u>1 548 20</u>	<u>673 560 98</u>
Fund Balances, March 31	<u><u>535 825 04</u></u>	<u><u>149 948 47</u></u>	<u><u>-</u></u>	<u><u>685 773 51</u></u>

TOWNSHIP OF SODUS
Berrien County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended March 31, 2005

	Balance 4/1/04	Additions	Deductions	Balance 3/31/05
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	136 16	719 262 22	719 005 96	392 42
<u>Liabilities</u>				
Due to other funds	136 16	120 676 11	120 419 85	392 42
Due to others	-	598 586 11	598 586 11	-
Total Liabilities	136 16	719 262 22	719 005 96	392 42
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	1 522 18	28 452 17	23 941 47	6 032 88
<u>Liabilities</u>				
Due to other funds	412 18	17 815 42	17 856 28	371 32
Due to others	1 110 00	10 636 75	6 085 19	5 661 56
Total Liabilities	1 522 18	28 452 17	23 941 47	6 032 88
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	1 658 34	747 714 39	742 947 43	6 425 30
<u>Liabilities</u>				
Due to other funds	548 34	138 491 53	138 276 13	763 74
Due to others	1 110 00	609 222 86	604 671 30	5 661 56
Total Liabilities	1 658 34	747 714 39	742 947 43	6 425 30

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 25, 2005

To the Township Board
Township of Sodus
Berrien County, Michigan

We have audited the financial statements of the Township of Sodus for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Sodus in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Sodus
Berrien County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Sodus began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Sodus
Berrien County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants